

5836

RECEIVED  
LEGISLATIVE AUD  
04 JUN 29 AM 11:11

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORTS**

**RED RIVER EMPLOYMENT SERVICES, INC.**

**Shreveport, Louisiana**

**December 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9-8-04

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**Shreveport, Louisiana**

**FINANCIAL STATEMENTS AND AUDITORS' REPORTS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2003**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6
<b>SUPPLEMENTARY INFORMATION</b>	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing     Standards</u>	13
Schedule of Findings and Questioned Costs	15
Schedule of Prior Year Findings	16
Corrective Action Plan	17

MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS



MEMBER  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

---

# DAUZAT, BEALL & DEBEVEC, CPAs

---

A PROFESSIONAL CORPORATION

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Red River Employment Services, Inc.

We have audited the accompanying statement of financial position of Red River Employment Services, Inc. (a nonprofit corporation) as of December 31, 2003, and the related statement of activities and statement of cash flows for the six months then ended. These financial statements are the responsibility of the Corporation's board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Red River Employment Services, Inc. as of December 31, 2003, and the changes in net assets and its cash flows for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with U. S. Government Auditing Standards, we have also issued a report dated March 17, 2004 on our consideration of Red River Employment Services, Inc.'s internal control structure and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *U. S. Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

As discussed in Note 13 to the financial statements, the Red River Employment Services, Inc. has experienced excess expenses over revenues for the past two years which has resulted in a material decrease in net assets. Such results raise substantial doubt about the organization's ability to continue as a going concern. Managements' plans in regard to these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty .

*Dauzat, Beall & Debevec, CPAs*

Dauzat, Beall & Debevec, CPAs, APC  
March 17, 2004

**RED RIVER EMPLOYMENT SERVICES, INC.**  
SHREVEPORT, LOUISIANA

**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2003**

**ASSETS**

Cash and cash equivalents	\$ 10
Grants receivable	41,815
Fees & Other receivables	953
Property and equipment (net of accumulated depreciation of \$37,227)	4,325
Deposits	<u>450</u>
 TOTAL ASSETS	 <u>\$ 47,553</u>

**LIABILITIES**

Accounts payable	<u>\$ 6,005</u>
 TOTAL LIABILITIES	 <u>6,005</u>

**NET ASSETS**

Unrestricted	<u>41,548</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 47,553</u>

The accompanying notes are an integral part of these financial statements.

**RED RIVER EMPLOYMENT SERVICES, INC.**  
SHREVEPORT, LOUISIANA

**STATEMENT OF ACTIVITIES**  
**For the Six Months Ended December 31, 2003**

**UNRESTRICTED NET ASSETS**

**SUPPORT & REVENUE:**

LA Rehabilitation Services	\$ 56,291
LA Office of Mental Health	170,324
Miscellaneous	<u>13,694</u>
Total unrestricted support & revenue	<u>240,309</u>

**EXPENSES:**

Salaries & Wages	151,920
Payroll taxes	14,883
Pension	1,091
Insurance	14,101
Travel	10,786
Rent	10,326
Telephone	3,765
Accounting & Auditing	4,065
Professional Fees	10,500
Program expenses	5,580
Office expense	3,044
Administrative	4,286
Miscellaneous	1,679
Depreciation	<u>1,039</u>
Total expenses	<u>237,065</u>

Increase in unrestricted net assets	3,244
<b>Net assets at beginning of period</b>	<u>38,304</u>
<b>Net assets at end of period</b>	<u>\$ 41,548</u>

The accompanying notes are an integral part of these financial statements.

**RED RIVER EMPLOYMENT SERVICES, INC.**  
SHREVEPORT, LOUISIANA

**STATEMENT OF CASH FLOWS**  
**For Six Months Ended December 31, 2003**

**Cash Flows from Operating Activities:**

Increase in Net Assets	\$ 3,244
Adjustments to reconcile Increase in Net Assets to Net Cash from Operating Activities:	
Depreciation	1,039
Increase in Grants Receivable	(15,245)
Increase in Other Receivables	(914)
Increase in Accounts Payable	3,911
Decrease in Payroll Taxes Payable	<u>(2,803)</u>
Net Cash from Operating Activities	<u>(10,768)</u>

**Cash Flows from Financing Activities:**

Purchase of equipment	<u>-0-</u>
Net Cash used in Financing Activities	<u>-0-</u>

**Cash Flows from Investing Activities:**

None	<u>-0-</u>
Net Cash used in Investing Activities	<u>-0-</u>

**Net Decrease in Cash and Cash Equivalents** (10,768)

**Cash and Cash Equivalents at Beginning of Period** 10,778

**Cash and Cash Equivalents at End of Period** \$ 10

The accompanying notes are an integral part of these financial statements.

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**1**     **NATURE OF ACTIVITIES**

Red River Employment Services, Inc. was created on March 23, 1994 as a non-profit corporation as defined by the Louisiana non-profit corporation law (Title 12, Chapter 2, LA Revised Statutes of 1950 as revised and codified by Act 105 of 1968, Legislature of Louisiana and as amended). Red River Employment Services, Inc. serves the parishes of Caddo, Bossier, Webster, Claiborne, Bienville, Red River, Desoto, Sabine, Natchitoches and Winn in accordance to the state plan of Louisiana Office of Human Services for Region VII.

Red River Employment Services, Inc. provides supportive employment services to individuals with serious psychiatric disabilities as defined by Louisiana Rehabilitation Services, and to encourage self support among those individuals served by the **Organization** in the area of employment. The **Organization** is supported primarily by grants from governmental agencies.

The corporation is organized on a non-stock basis under the authority of the provisions of Louisiana law, particularly LA R.S. of 1950, Title 12, Sections 201-269, as amended.

The corporation qualifies as an exempt organization under Section 501 (a) of the Internal Revenue Code as an organization described in Section 501 (c)(3), and is treated as a publicly supported organization, and not as a private foundation.

The accompanying financial statements of the **Organization** presents the financial position and changes in net assets of the various programs. All activities of the **Organization** are included in these financial statements.

**2**     **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation:

Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, **Financial Statements of Not-for-Profit Organizations**. Under SFAS No. 117, the **Organization** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**RIVER EMPLOYMENT SERVICES, INC.**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**2     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Basis of Accounting :

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period in which the liability is incurred, if measurable.

Budget Policy:

Budgets for the various programs are prepared by the **Organization's** Executive Director and approved by the grantor of the funds for each respective program. Budgets are prepared on a basis consistent with generally accepted accounting principles.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles include the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Property and Equipment:

All fixed assets are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date of donation.

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and Equipment (cont)

Depreciation is provided in the financial statements over estimated useful lives on a straight-line basis. The following estimated useful lives are generally used:

Furniture and equipment      3 to 15 years

Expenses for additions, major renewals and betterments are capitalized and expenses for maintenance and repairs are charged to operations as incurred.

Cash and Cash Equivalents :

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less.

**3 FUNDING POLICIES AND SOURCES OF FUNDS**

The Organization receives its monies through various methods of funding. Funds are provided under grant awards and received under a cost reimbursement method.

**4 BOARD OF DIRECTORS' COMPENSATION**

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

**5 INCOME TAX STATUS**

The Organization is classified as a Section 501 (c)(3) Organization under the Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

**RED RIVER EMPLOYMENT SERVICES, INC**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**6 COLLATERALIZATION OF BANK DEPOSITS**

The total amount of deposits in financial institutions at December 31, 2003, was \$22,922. This amount was insured against loss by the Federal Depositors Insurance Corporation (FDIC).

**7 ACCOUNTS RECEIVABLE**

Grants receivable at December 31, 2003, consist of reimbursements for services provided under the following programs:

Louisiana Rehabilitation Services	\$ 12,495
Office of Mental Health	<u>29,320</u>
Total Grants Receivable	<u>\$ 41,815</u>
Other Receivables:	
Tax Refunds	<u>\$ 953</u>

**8 PROPERTY AND EQUIPMENT**

A summary of property and equipment and accumulated depreciation at December 31, 2003 follows:

	<b>Property and Equipment</b>			
	<u>Balance</u> <u>7/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
Furniture & equipment	\$ 41,552			\$ 41,552
<b>Total</b>	<u>\$ 41,552</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 41,552</u>
	<b>Accumulated Depreciation</b>			
	<u>Balance</u> <u>7/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
Furniture & equipment	\$ 36,188	\$ 1,039		\$ 37,227
<b>Total</b>	<u>\$ 36,188</u>	<u>\$ 1,039</u>		<u>\$ 37,227</u>

Any equipment purchased must be used for program services for ten years or the equipment will revert to the Louisiana Rehabilitation Services.

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**9**     **JUDGEMENTS, CLAIMS AND SIMILAR CONTINGENCIES**

There is no litigation pending against the **Organization** as of December 31, 2003. Furthermore, the Organization's management believes that any potential lawsuits would be adequately covered by insurance.

The ability of Red River Employment Services, Inc. to continue its operations is contingent upon continued funding from Louisiana Rehabilitation Services and Office of Mental Health.

The Organization receives support from various Federal and State grant programs which are subject to final review and approval as to allow ability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the **Organization**. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Organization's financial position.

**10**     **FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized in their natural categories in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The following details total expenses by functional program:

LRS-Main	65,931
OHM-Consulting	8,404
OMH-Cores	40,583
OMH-Green Harbor	41,664
OMH-SSI 8	28,905
OMH-SSI 7	50,768
LSU	<u>810</u>
Total Program Expenses	<u>\$ 237,065</u>

**RED RIVER EMPLOYMENT SERVICES, INC**  
**SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Six Months Ended December 31, 2003**

**11 COMPENSATED ABSENCES**

Accrued leave does not accumulate from one year to the next, therefore no amounts have been recorded in the financial statements.

**12 EMPLOYEE BENEFIT PLAN**

The Red River Employment Services, Inc. has a defined contribution plan covering all employees who wish to participate. The organization makes a contribution to the plan each year equal to 2% of the participant's compensation. In addition, each employee is allowed to withhold and contribute up to \$6,000 from their pay to the plan. The expense for the six months ended December 31, 2003 was approximately \$1,091.

**13 GOING CONCERN CONSIDERATIONS**

The organization's financial statements are prepared based on the assumption the Red River Employment Services, Inc. will continue as a going concern. Information that contradicts the going concern assumption relates to the prior year's declining net assets and the board's resolution dated September 23, 2003. Due to the increased operating costs and the inability to expand social services, the board voted to allow Mr. Brian Byrd to proceed at any time within the next 36 months from the date of the resolution to merge with the organization known as the Volunteers of America.

**14 OPERATING LEASE**

The Organization has a month to month lease for computer software. The computer software is leased at a rate of \$300. Per month per user. Also, the organization extended the central office lease on February 1, 2001 for three years at a cost of \$856 per month. The corporation has a third lease for a Ford Focus car at a cost of \$318 per month. The car was leased February 1, 2001 for three years. The lease expense for the six months ended December 31, 2003 is \$10,326. The future minimum lease payments for these leases are as follows:

<u>SIX MONTHS ENDING DEC. 31, 2003</u>	<u>BUILDING</u>	<u>CAR</u>	<u>TOTAL</u>
2004	<u>1,712</u>	<u>636</u>	<u>2,348</u>
<u>TOTAL</u>	<u>\$ 1,712</u>	<u>\$ 636</u>	<u>\$ 2,348</u>

**RED RIVER EMPLOYMENT SERVICE, INC  
SHREVEPORT, LA**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Six Months Ended December 31, 2003**

**15 RELATED PARTY TRANSACTION**

During the year, the Organization leased an on-line computer software from Innovative Health Care Strategies LLC. Mr. Brian Byrd who is the Executive Director of Red River Employment Services, Inc. is also a shareholder of Health Care Strategies LLC. The lease is month to month at a rate of \$ 300 per month per user.



---

**DAUZAT, BEALL & DEBEVEC, CPAs**

---

A PROFESSIONAL CORPORATION  
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
*Red River Employment Services, Inc.*  
Shreveport, Louisiana

We have audited the financial statements of Red River Employment Services, Inc. as of and for the six months ended December 31, 2003 and have issued our report thereon dated March 17, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Red River Employment Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under U. S. Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Employment Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Dauzat Beall & Debevec, CPAs*

Dauzat, Beall & Debevec, CPAs, APC  
March 17, 2004

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Six Months Ended December 31, 2003**

We have audited the financial statements of the Red River Employment Services, Inc. as of and for the six months ended December 31, 2003, and have issued our report thereon dated March 17, 2004. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *U. S. Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of and for the six months ended December 31, 2003 resulted in an unqualified opinion.

**Section 1-Summary of Auditor's Reports**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal control

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

Compliance

Non Compliance Material to Financial Statements  Yes  No

**Section II-Financial Statement Findings**

None

**RED RIVER EMPLOYMENT SERVICES, INC.**  
**SUMMARY OF PRIOR YEAR FINDINGS**  
**For the Year Ended June 30, 2003**

None

**RED RIVER EMPLOYMENT SERVICES, INC .  
SHREVEPORT, LA**

**CORRECTIVE ACTION PLAN**

Number

None

Name of Contact Person: Brian Byrd, Executive Director

Date: March 17, 2004